

UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE PATENT TRIAL AND APPEAL BOARD

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APPLE INC.,  
Petitioner,

v.

SMARTFLASH LLC,  
Patent Owner.

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Case CBM2015-00016<sup>1</sup>  
Patent 8,033,458 B2

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Before JENNIFER S. BISK, RAMA G. ELLURU,  
JEREMY M. PLENZLER, and MATTHEW R. CLEMENTS,  
*Administrative Patent Judges.*

PLENZLER, *Administrative Patent Judge.*

FINAL WRITTEN DECISION  
35 U.S.C. § 328(a) and 37 C.F.R. § 42.73

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<sup>1</sup> Apple Inc. has been dismissed as Petitioner from this proceeding with respect to claim 1. Paper 50.

## INTRODUCTION

### *A. Background*

Apple Inc. (“Petitioner”), filed a Corrected Petition to institute covered business method patent review of claims 1, 6, 8, 10, and 11 of U.S. Patent No. 8,033,458 B2 (Ex. 1201, “the ’458 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”).<sup>2</sup> Paper 9 (“Pet.”). On April 10, 2015, we instituted a transitional covered business method patent review (Paper 23, “Institution Decision” or “Inst. Dec.”) based upon Petitioner’s assertion that claims 1, 6, 8, and 10 are directed to patent ineligible subject matter under 35 U.S.C. § 101 and that claim 11 is unpatentable under 35 U.S.C. § 112 ¶ 2.<sup>3</sup> Inst. Dec. 26.

Subsequent to institution, Smartflash LLC (“Patent Owner”) filed a Patent Owner Response (Paper 33, “PO Resp.”) and Petitioner filed a Reply (Paper 35, “Pet. Reply”) to Patent Owner’s Response.

An oral hearing was held on November 9, 2015, and a transcript of the hearing is included in the record. Paper 53 (“Tr.”).

We have jurisdiction under 35 U.S.C. § 6(c). This Final Written Decision is issued pursuant to 35 U.S.C. § 328(a) and 37 C.F.R. § 42.73. For the reasons that follow, we determine that Petitioner has shown by a preponderance of the evidence that claims 6, 8, and 10 of the ’458 patent are directed to patent ineligible subject matter under 35 U.S.C. § 101 and that claim 11 is unpatentable under 35 U.S.C. § 112 ¶ 2. We terminate this proceeding with respect to claim 1.

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<sup>2</sup> Pub. L. No. 112-29, 125 Stat. 284, 296–07 (2011).

<sup>3</sup> Petitioner cites 35 U.S.C. § 112(b). We note, however, that the ’458 patent was filed in 2010 (prior to application of the AIA). The pre-AIA laws, therefore, apply to the challenges to the ’458 patent.

*B. Related Matters and Termination*

In a previous covered business method patent review, CBM2014-00106, we issued a Final Written Decision determining claim 1 unpatentable under 35 U.S.C. § 103. CBM2014-00106, Paper 52. Because Apple was the petitioner in that proceeding, we found that § 325(e)(1) estops Apple from filing or maintaining a proceeding before the Office with respect to claim 1, i.e., the same claim, in this case. Paper 50 (“Estoppel Order”), 4. We, therefore, ordered Apple not to present argument with respect to the patentability of that claim at the oral hearing on November 9, 2015. *Id.* at 8.

On March 15, 2016, Patent Owner filed an authorized motion to terminate this proceeding with respect to claim 1 stating that “[o]n March 4, 2016, pursuant to Fed. R. App. P. 42(b), the United States Court of Appeals for the Federal Circuit dismissed [Patent Owner’s] appeal of [the final written decision in CBM2014-00106 determining] that claim 1 of the ’458 Patent is unpatentable.” Paper 55, 3.<sup>4</sup>

We are persuaded that the particular facts of this proceeding now counsel in favor of termination with respect to claim 1. 37 C.F.R. § 42.72. Claim 1 of the ’458 patent has been finally cancelled and any decision we might reach in this proceeding regarding the patentability of this claim would be moot and purely advisory. We do not see how the just, speedy, and inexpensive resolution of every proceeding (37 C.F.R. § 42.1(b)) would be secured by rendering a final written decision with respect to claim 1.

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<sup>4</sup> Fed. R. App. P. 42 provides for dismissal of an appeal at the request of the parties or on motion by the appellant.

*C. The '458 Patent*

The '458 patent relates to “a portable data carrier for storing and paying for data and to computer systems for providing access to data to be stored,” and the “corresponding methods and computer programs.” Ex. 1201, 1:21–25. Owners of proprietary data, especially audio recordings, have an urgent need to address the prevalence of “data pirates” who make proprietary data available over the internet without authorization. *Id.* at 1:29–55. The '458 patent describes providing portable data storage together with a means for conditioning access to that data upon validated payment. *Id.* at 1:59–2:11. This combination allows data owners to make their data available over the internet without fear of data pirates. *Id.* at 2:11–15.

As described, the portable data storage device is connected to a terminal for internet access. *Id.* at 1:59–67. The terminal reads payment information, validates that information, and downloads data into the portable storage device from a data supplier. *Id.* The data on the portable storage device can be retrieved and output from a mobile device. *Id.* at 2:1–5.

The '458 patent makes clear that the actual implementation of these components is not critical and may be implemented in many ways. *See, e.g., id.* at 25:49–52 (“The skilled person will understand that many variants to the system are possible and the invention is not limited to the described embodiments.”).

*D. Challenged Claims*

Petitioner challenges claims 6, 8, 10, and 11. Claim 6 is independent, with claims 8, 10, and 11 depending from claim 6, and claim 6 is reproduced below:

6. A data access device for retrieving stored data from a data carrier, the device comprising:

- a user interface;
- a data carrier interface;
- a program store storing code implementable by a processor; and
- a processor coupled to the user interface, to the data carrier interface and to the program store for implementing the stored code, the code comprising:
  - code to retrieve use status data indicating a use status of data stored on the carrier, and use rules data indicating permissible use of data stored on the carrier;
  - code to evaluate the use status data using the use rules data to determine whether access is permitted to the stored data; and
  - code to access the stored data when access is permitted.

*Id.* at 27:8–23.

## ANALYSIS

### A. *Claim Construction*

In a covered business method patent review, claim terms are given their broadest reasonable interpretation in light of the specification in which they appear and the understanding of others skilled in the relevant art. *See* 37 C.F.R. § 42.300(b). Applying that standard, we interpret the claim terms of the '458 patent according to their ordinary and customary meaning in the context of the patent's written description. *See In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007). For purposes of this Decision, we need not construe expressly any claim term.

*B. Statutory Subject Matter*

Petitioner challenges claims 6, 8, and 10 (“the challenged claims”) as directed to patent-ineligible subject matter under 35 U.S.C. § 101.<sup>5</sup> Pet. 24–36. Petitioner submitted a declaration from Anthony J. Wechselberger (“Wechselberger declaration”)<sup>6</sup> in support of its petition. Ex. 1220.

Patent Owner contends that the challenged claims are patent-eligible. PO Resp. 10–27.

*1. Abstract Idea*

Under 35 U.S.C. § 101, we must first identify whether an invention fits within one of the four statutorily provided categories of patent-eligibility: “processes, machines, manufactures, and compositions of matter.” *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 713–14 (Fed. Cir. 2014). Here, each of the challenged claims recites a “machine,” i.e., a “data access device.” Section 101, however, “contains an important implicit exception [to subject matter eligibility]: Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice Corp. Pty. Ltd. v. CLS Bank Int’l.*, 134 S. Ct. 2347, 2354 (2014) (citing *Assoc. for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013) (internal quotation marks and brackets omitted)). In *Alice*, the Supreme Court reiterated the framework set forth previously in *Mayo Collaborative Services v.*

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<sup>5</sup> We do not address claim 1 because, as noted above, this Decision terminates the proceeding with respect to that claim.

<sup>6</sup> In its Response, Patent Owner argues that the Wechselberger declaration should be given little or no weight. PO Resp. 4–5. Because Patent Owner has filed a Motion to Exclude that includes a request to exclude the Wechselberger declaration in its entirety, or in the alternative, portions of the declaration based on essentially the same argument, we address Patent Owner’s argument as part of our analysis of the motion, discussed below.

*Prometheus Laboratories, Inc.*, 132 S. Ct. 1289, 1293 (2012) “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of these concepts.” *Alice*, 134 S. Ct. at 2355. The first step in the analysis is to “determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.*

According to the Federal Circuit, “determining whether the section 101 exception for abstract ideas applies involves distinguishing between patents that *claim the building blocks of human ingenuity*—and therefore risk broad pre-emption of basic ideas—and patents that integrate those building blocks into something more, enough to transform them into specific patent-eligible inventions.” *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1332 (Fed. Cir. 2015) (emphasis added); *accord id.* at 1333–34 (“It is a *building block*, a *basic conceptual framework* for organizing information . . . .” (emphasis added)). This is similar to the Supreme Court’s formulation in *Bilski v. Kappos*, 561 U.S. 593, 611 (2010) (emphasis added), noting that the concept of risk hedging is “a *fundamental economic practice* long prevalent in our system of commerce.” *See also buySAFE Inc. v. Google, Inc.*, 765 F.3d 1350, 1353-54 (Fed. Cir. 2014) (stating that patent claims related to “long-familiar commercial transactions” and relationships (i.e., business methods), no matter how “narrow” or “particular,” are directed to abstract ideas as a matter of law). As a further example, the “concept of ‘offer based pricing’ is similar to other ‘fundamental economic concepts’ found to be abstract ideas by the Supreme Court and [the Federal Circuit].” *OIP Techs., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1362 (Fed. Cir. 2015) (citations omitted).

Petitioner argues that the challenged claims are directed to the abstract idea of “paying for and/or controlling access to content.” Pet. 24.

Specifically, Petitioner contends that “claims 6, 8, [and] 10 [] are drawn to the concept of controlling access in that they recite steps to and ‘code to’ evaluate rules to determine whether access is permitted.” *Id.* at 26.

Although Patent Owner does not concede, in its brief, that the challenged claims are directed to an abstract idea, it does not persuasively explain how the claimed subject matter escapes this classification. PO Resp. 10–27; *see also* Tr. 46:21–47:11 (Patent Owner arguing that the challenged claims are not abstract ideas, but conceding this argument was not made in the briefs).

We agree that the challenged claims are drawn to a patent-ineligible abstract idea. Specifically, the challenged claims are directed to performing the fundamental economic practice of controlling access to content. For example, claim 6 recites “code to evaluate the use status data using the use rules data to determine whether access is permitted to the stored data” and “code to access the stored data when access is permitted.”

As discussed above, the ’458 patent discusses addressing recording industry concerns of data pirates offering unauthorized access to widely available compressed audio recordings. Ex. 1201, 1:20–55. The ’458 patent proposes to solve this problem by restricting access to data on a device based upon satisfaction of use rules linked to payment data. *Id.* at 9:7–25. As Petitioner notes (Pet. 26), the ’458 patent makes clear that the claimed subject matter is directed to paying for data and providing access to data. *See* Ex. 1201 at 2:20–23 (“This invention is . . . particularly . . . relate[d] to a portable data carrier for storing and paying for data and to computer systems for providing access to data.”). Although the specification discusses data

piracy on the Internet (*see id.* at 1:29–39), the challenged claims are not limited to the Internet. The underlying concept of the challenged claims, particularly when viewed in light of the '458 patent specification, is controlling access to content, as Petitioner contends. As discussed further below, this is a fundamental economic practice long in existence in commerce. *See Bilski*, 561 U.S. at 611.

We are, thus, persuaded, based on the '458 patent specification and the language of the challenged claims, that claims 6, 8, and 10 are directed to an abstract idea. *See Alice*, 134 S. Ct. at 2356 (holding that the concept of intermediated settlement at issue in *Alice* was an abstract idea); *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344 (Fed. Cir. 2013) (holding the abstract idea at the heart of a system claim to be “generating tasks [based on] rules . . . to be completed upon the occurrence of an event”).

## 2. *Inventive Concept*

“A claim that recites an abstract idea must include ‘additional features’ to ensure ‘that the [claim] is more than a drafting effort designed to monopolize the [abstract idea].’” *Alice*, 134 S. Ct. at 2357 (quoting *Mayo*, 132 S. Ct. at 1297). “This requires more than simply stating an abstract idea while adding the words ‘apply it’ or ‘apply it with a computer.’ Similarly, the prohibition on patenting an ineligible concept cannot be circumvented by limiting the use of an ineligible concept to a particular technological environment.” *Versata*, 793 F.3d at 1332 (citations omitted). Moreover, the mere recitation of generic computer components performing conventional functions is not enough. *See Alice*, 134 S. Ct. at 2360 (“Nearly every computer will include a ‘communications controller’ and ‘data storage unit’

capable of performing the basic calculation, storage, and transmission functions required by the method claims.”).

Petitioner argues “the Challenged Claims do nothing more than recite routine, conventional computer functions in implementing an abstract idea.” Pet. Reply 7. Petitioner persuades us that claims 6, 8, and 10 of the ’458 patent do not add an inventive concept sufficient to ensure that the patent in practice amounts to significantly more than a patent on the abstract idea itself. *Alice*, 134 S. Ct. at 2355; *see also Accenture Global Servs.*, 728 F.3d at 1344 (holding claims directed to the abstract idea of “generating tasks [based on] rules . . . to be completed upon the occurrence of an event” to be unpatentable even when applied in a computer environment and within the insurance industry). Specifically, we agree with and adopt Petitioner’s rationale that the additional elements of the challenged claims are either field of use limitations and/or generic features of a computer that do not bring the challenged claim within § 101 patent eligibility. Pet. 27–34.

*a. Technical Elements*

Petitioner argues that the challenged claims are unpatentable because they “are directed only to an abstract idea with nothing more than ‘well-understood, routine, conventional activity’ added.” Pet. 28 (citations omitted). Patent Owner disagrees, arguing that the challenged claims are patentable because they “recite specific ways of using distinct memories, data types, and use rules that amount to significantly more than the underlying abstract idea.” PO Resp. 18–19 (quoting Ex. 2049, 19). We agree with Petitioner for the following reasons.

The specification of the ’458 patent treats as well-known all potentially technical aspects of the claims, which simply require generic

computer components (e.g., interfaces, program store, and processor). The linkage of existing hardware devices to supplier-defined access rules appear to be “well-understood, routine, conventional activit[ies]’ previously known to the industry.” *Alice*, 134 S. Ct. at 2359; *Mayo*, 132 S. Ct. at 1294.

Further, the claimed computer code simply performs generic computer functions, such as accessing, retrieving, and evaluating data. *See* Pet. 29–30. The recitation of these generic computer functions is insufficient to confer specificity. *See Content Extraction and Transmission LLC v. Wells Fargo Bank*, 776 F.3d 1343, 1347 (Fed. Cir. 2014) (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”).

Moreover, we are not persuaded that claims 6, 8, and 10 “recite specific ways of using distinct memories, data types, and use rules that amount to significantly more than” conditioning and controlling access to content based on payment. *See* PO Resp. 18. The challenged claims do not recite any particular or “distinct memories.” To the extent Patent Owner argues that the claimed “program store” is a memory, Patent Owner does not provide any argument as to how it is constructed or implemented in an unconventional manner. Moreover, the claims recite several generic data types, such as “code,” “use status data,” and “use rules data.” We are not persuaded that the recitation of these data types, by itself, amounts to significantly more than the underlying abstract idea. Patent Owner does not point to any inventive concept in the ’458 patent related to the way these data types are constructed or used. The recitation of generic data types, being used in the conventional manner, is insufficient to confer the specificity required to elevate the nature of the claims into a patent-eligible

application. *Alice*, 134 S. Ct. at 2355 (quoting *Mayo*, 132 S. Ct. at 1294) (“We have described step two of this analysis as a search for an ‘inventive concept’—i.e., an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent on the [ineligible concept] itself.’”) (brackets in original). In addition, the ’458 patent simply recites data types with no description of the underlying implementation or programming that results in these data types. *See Content Extraction and Transmission LLC*, 776 F.3d at 1347 (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”).

In addition, because the recited elements can be implemented on a general purpose computer, the challenged claims do not cover a “particular machine.” Pet. 36; *see Bilski*, 561 U.S. at 604–05 (stating that machine-or-transformation test remains “a useful and important clue” for determining whether an invention is patent eligible). And the challenged claims do not transform an article into a different state or thing. Pet. 36.

Thus, we determine the potentially technical elements of the claims are nothing more than “generic computer implementations” and perform functions that are “purely conventional.” *Alice*, 134 S. Ct. at 2358–59; *Mayo*, 132 S. Ct. at 1294.

To the extent Patent Owner argues that the challenged claims include an “inventive concept” because of the specific combination of elements in the challenged claims, we disagree. Patent Owner contends that

[b]y using a system that combines on the data carrier both the digital content and use rules/use status data, and by using “code to evaluate the use status data using the use rules data to determine whether access is permitted to the stored data” and “code to access the stored data when access is permitted,” access

control to the digital content can be continuously enforced prior to access to the digital content, allowing subsequent use (e.g., playback) of the digital content to be portable and disconnected.

PO Resp. 12. Patent Owner further contends that “the claimed portable data carriers enable the tracking of partial use of a stored data item (e.g., so that the rest can be used/played back later)” and

[b]y comparison, unlike a system that uses use rules/use status data as claimed, when a DVD was physically rented for a rental period, there was no mechanism to write partial use status data to the DVD when only part of the DVD had been accessed (e.g., to track whether a renter had “finished with” the DVD yet).

*Id.*

None of the claims currently involved in the § 101 challenge in this proceeding recite “partial use status data.”<sup>7</sup> Nevertheless, the concept of storing two different types of information in the same place or on the same device is an age old practice. For example, storing names and phone numbers (two different types of information) in the same place, such as a book, or on a storage device, such as a memory device was known. That Patent Owner alleges two specific types of information—content and the conditions for providing access to the content—are stored in the same place or on the same storage device does not alter our determination. The concept was known and Patent Owner has not persuaded us that applying the concept to these two specific types of information results in the claim reciting an inventive concept. Furthermore, the prior art discloses products that could store both the content and conditions for providing access to the content. *See, e.g.,* Pet. 7–8 (citing Ex. 1216, Abstract); *see also* Ex. 1216, 10:24–30 (discussing “a time bomb or other disabling device which will disable the

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<sup>7</sup> The “partial use” limitation is found in claim 11.

product at the end of the rental period.”). To the extent Patent Owner argues that the challenged claims cover storing, on the same device, both content and a *particular* type of condition for providing access to content or information necessary to apply that condition (e.g., “track[ing] whether a renter had ‘finished with’ the DVD yet” (PO Resp. 8)), we remain unpersuaded that the claims recite an inventive concept. Because the concept of combining the content and conditions for providing access to the content on the same device was known, claiming a particular type of condition does not make the claim patent eligible under § 101.

*b. DDR Holdings*

Relying on the Federal Circuit’s decision in *DDR Holdings*, Patent Owner asserts that the challenged claims are directed to statutory subject matter because “the claims are rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.” PO Resp. 12 (quoting *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1257 (Fed. Cir. 2014)). Patent Owner contends that the challenged claims are “directed to particular devices that can download and store digital content into a data carrier.” *Id.* at 11–12. Patent Owner contends that

[b]y using a system that combines on the data carrier both the digital content and use rules/use status data, and by using “code to evaluate the use status data using the use rules data to determine whether access is permitted to the stored data” and “code to access the stored data when access is permitted,” access control to the digital content can be continuously enforced prior to access to the digital content, allowing subsequent use (e.g., playback) of the digital content to be portable and disconnected.

*Id.* at 12.

Petitioner responds that the challenged claims are distinguishable from the claims in *DDR Holdings*. Pet. Reply 8–17. The *DDR Holdings*

patent is directed at retaining website visitors when clicking on an advertisement hyperlink within a host website. 773 F.3d at 1257. Conventionally, clicking on an advertisement hyperlink would transport a visitor from the host's website to a third party website. *Id.* The Federal Circuit distinguished this Internet-centric problem over “the ‘brick and mortar’ context” because “[t]here is . . . no possibility that by walking up to [a kiosk in a warehouse store], the customer will be suddenly and completely transported outside the warehouse store and relocated to a separate physical venue associated with the third party.” *Id.* at 1258. The Federal Circuit further determined that the *DDR Holdings* claims specify “how interactions with the Internet are manipulated to yield a desired result—a result that overrides the routine and conventional sequence of events ordinarily triggered by the click of a hyperlink.” *Id.* The unconventional result in *DDR Holdings* is the website visitor is retained on the host website, but is still is able to purchase a product from a third-party merchant. *Id.* at 1257–58. The limitation referred to by the Federal Circuit in *DDR Holdings* recites “using the data retrieved, automatically generate and transmit to the web browser a second web page that displays: (A) information associated with the commerce object associated with the link that has been activated, and (B) the plurality of visually perceptible elements visually corresponding to the source page.” *Id.* at 1250. Importantly, the Federal Circuit identified this limitation as differentiating the *DDR Holdings* claims from those held to be unpatentable in *Ultramercial*, which “broadly and generically claim ‘use of the Internet’ to perform an abstract business practice (with insignificant added activity).” *Id.* at 1258.

We agree with Petitioner that the challenged claims are distinguishable from the claims at issue in *DDR Holdings*. As an initial matter, we are not persuaded by Patent Owner’s argument that the challenged claims “are rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks—that of digital data piracy” and “address . . . a challenge particular to the Internet.” PO Resp. 12. Data piracy exists in contexts other than the Internet. *See* Pet. Reply 10–11 (identifying other contexts in which data piracy is a problem). For example, data piracy is a problem with compact discs. *See* Ex. 1201 5:9–12 (“where the data carrier stores . . . music, the purchase outright option may be equivalent to the purchase of a compact disc (CD), preferably with some form of content copy protection such as digital watermarking”). Further, whatever the problem, the solution provided by the challenged claims is not rooted in specific computer technology. *See* Pet. Reply 13–15.

Even accepting Patent Owner’s assertion that the challenged claims address data piracy on the Internet (PO Resp. 12), we are not persuaded that they do so by achieving a result that overrides the routine and conventional use of the recited devices and functions. In fact, the differences between the challenged claims and the claims at issue in *DDR Holdings* are made clear by Patent Owner in its table mapping claim 6 of the ’458 patent to claim 19 of the patent at issue in *DDR Holdings*. PO Resp. 16–18. Patent Owner compares the limitation highlighted by the Federal Circuit in *DDR Holdings* with the “code to access the stored data when access is permitted” in claim 6. *Id.* Patent Owner, however, fails to identify how this limitation of claim 6 from the ’458 patent is analogous to the corresponding *DDR Holdings* limitation. Unlike the claims in *DDR Holdings*, these limitations, like all the

other limitations of the challenged claims, are “specified at a high level of generality,” which the Federal Circuit has found to be “insufficient to supply an ‘inventive concept.’” *Ulramercial*, 772 F.3d at 716. They merely rely on conventional devices and computer processes operating in their “normal, expected manner.” *OIP Techs.*, 788 F.3d at 1363 (citing *DDR Holdings*, 773 F.3d at 1258-59).

The challenged claims are like the claims at issue in *Ulramercial*. The *Ulramercial* claims condition and control access based on viewing an advertisement. 772 F.3d at 712. Similar to the claims in *Ulramercial*, the majority of limitations in the challenged claims comprise this abstract concept of conditioning and controlling access to data. *See id.* at 715. Adding routine additional steps such as accessing stored data when access is permitted does not transform an otherwise abstract idea into patent-eligible subject matter. *See id.* at 716 (“Adding routine additional steps such as updating an activity log, requiring a request from the consumer to view the ad, restrictions on public access, and use of the Internet does not transform an otherwise abstract idea into patent-eligible subject matter.”).

We are, therefore, persuaded that the challenged claims are closer to the claims at issue in *Ulramercial* than to those at issue in *DDR Holdings*.

### *c. Preemption*

Petitioner argues that “the challenged claims’ broad functional [nature] firmly triggers preemption concerns” (Pet. 30), which “drive *Mayo*’s two-part test to determine patent eligibility, which serves as a proxy for making judgments about the relative scope of future innovation foreclosed by a patent” (Pet. Reply 17). Patent Owner responds that the challenged claims “do not result in inappropriate preemption of the ‘idea of

paying for and controlling access to data’ . . . or the ‘idea of paying for and controlling access to content.’” PO Resp. 20. According to Patent Owner, the challenged claims do not attempt to preempt every application of the idea, but rather recite a ““specific way . . . that incorporates elements from multiple sources in order to solve a problem faced by [servers] on the Internet.”” *Id.* at 20 (citing *DDR Holdings*, 773 F.3d at 1259). Patent Owner also asserts that the existence of a large number of non-infringing alternatives shows that the claims of the ’458 patent do not raise preemption concerns. *Id.* at 22–23, 25–27.

Patent Owner’s preemption argument does not alter our § 101 analysis. The Supreme Court has described the “pre-emption concern” as “undergird[ing] [its] § 101 jurisprudence.” *Alice*, 134 S. Ct. at 2358. The concern “is a relative one: how much future innovation is foreclosed relative to the contribution of the inventor.” *Mayo*, 132 S. Ct. at 1303. “While preemption may signal patent ineligible subject matter, the absence of complete preemption does not demonstrate patent eligibility.” *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015). Importantly, the preemption concern is addressed by the two-part test considered above. *See id.* After all, every patent “forecloses . . . future invention” to some extent, *Mayo*, 132 S. Ct. at 1292, and, conversely, every claim limitation beyond those that recite the abstract idea limits the scope of the preemption. *See Ariosa*, 788 F.3d at 1379 (“The Supreme Court has made clear that the principle of preemption is the basis for the judicial exception to patentability. . . . For this reason, questions on preemption are inherent in and resolved by the § 101 analysis.”).

The two-part test elucidated in *Alice* and *Mayo* does not require us to anticipate the number, feasibility, or adequacy of non-infringing alternatives to gauge a patented invention's preemptive effect in order to determine whether a claim is patent-eligible under § 101. *See* Pet. Reply 17–20 (arguing that Patent Owner's position regarding non-infringement and existence of non-infringing alternatives to the challenged claim are immaterial to the patent eligibility inquiry).

The relevant precedents simply direct us to ask whether the claim involves one of the patent-ineligible categories, and, if so, whether additional limitations contain an “inventive concept” that is “sufficient to ensure that the claim in practice amounts to ‘significantly more’ than a patent on an ineligible concept.” *DDR Holdings*, 773 F.3d at 1255. This is the basis for the rule that the unpatentability of abstract ideas “cannot be circumvented by attempting to limit the use of the formula to a particular technological environment,” despite the fact that doing so reduces the amount of innovation that would be preempted. *Diamond v. Diehr*, 450 U.S. 175, 191 (1981); *see also Alice*, 134 S. Ct. at 2358; *Mayo*, 132 S. Ct. at 1303; *Bilski*, 561 U.S. at 612; *Parker v. Flook*, 437 U.S. 584, 593 (1978). The Federal Circuit spelled this out, stating that “[w]here a patent's claims are deemed only to disclose patent ineligible subject matter under the *Mayo* framework, as they are in this case, preemption concerns are fully addressed and made moot.” *Ariosa*, 788 F.3d at 1379.

As described above, after applying this two-part test, we are persuaded that Petitioner has shown by a preponderance of the evidence that the challenged claims are drawn to an abstract idea that does not add an inventive concept sufficient to ensure that the patent in practice amounts to

significantly more than a patent on the abstract idea itself. The alleged existence of a large number of non-infringing, and, thus, non-preemptive alternatives does not alter this conclusion because the question of preemption is inherent in and resolved by this inquiry.

*d. Patent Owner's Remaining Arguments*

Patent Owner also asserts that (1) Petitioner has already lost a Motion for Summary Judgment of Invalidity under § 101 in its related district court litigation with Patent Owner (PO Resp. 27–28); and (2) the Office is estopped from revisiting the issue of § 101, which was inherently reviewed during examination (*id.* at 30).

As a preliminary matter, Patent Owner does not provide any authority that precludes us from deciding the issue of patent eligibility under § 101 in the context of the present AIA proceeding, even where a non-final district court ruling on § 101 exists. *See Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330, 1340–42 (Fed. Cir. 2013). Moreover, Patent Owner does not provide any authority for its assertion that “[t]he question of whether the claims are directed to statutory subject matter has already been adjudicated by the USPTO, and the USPTO is estopped from allowing the issues to be raised in the present proceeding.” PO Resp. 30.

*3. Conclusion*

For all of the foregoing reasons, we are persuaded that Petitioner has established, by a preponderance of the evidence, that claims 6, 8, and 10 of the '458 patent are unpatentable under § 101.

*C. Indefiniteness*

Petitioner challenges claim 11 as being indefinite under 35 U.S.C. § 112 ¶ 2. Pet. 77–78. Claim 6 recites “use rules data,” and does not recite

“use rules.” Claim 11, which depends from claim 6, however, recites “said use rules” in its initial instance. Petitioner notes that the Board has previously construed these two terms, in related patents, to have different meanings. Pet. 78 (citing Case No. CBM2014-00108, Paper 8, 7 (construing “use rule” as “a rule specifying a condition under which access to content is permitted”); Case No. CBM2014-00112, Paper 7, 7 (construing “use rule data” as “data for a rule specifying a condition under which access to content is permitted”). Petitioner, thus, contends that a person of ordinary skill would not understand whether claim 11 should properly recite “wherein said use rules data permit.” *Id.*

Patent Owner contends that “[g]iven the recitation of ‘said use rules’ coupled with the reference to claim 6, one of ordinary skill in the art would know that the antecedent basis for ‘said use rules’ in claim 11 would be the ‘use rules data’ of claim 6.”<sup>8</sup> PO Resp. 29. Upon further consideration of the record, we are not persuaded that one skilled in the art would have understood claim 11’s “said use rules” to refer back to the “use rules data” introduced in claim 6.

Although lack of antecedent basis alone is insufficient to render a claim indefinite, here the lack of antecedent basis introduces ambiguity into the claim. It is unclear whether claim 11 should recite “use rules” or “said use rules data,” rather than “said use rules.” As indicated above, we have construed “use rules” and “use rules data” differently. As Petitioner also

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<sup>8</sup> At institution, we did not have the benefit of Patent Owner’s position on the intended meaning of the claim because in its Preliminary Response, Patent Owner did not indicate a clear position on how one skilled in the art would read the recitation of “said use rules” in claim 11. *See* Prelim. Resp. 14–15.

notes (Pet. Reply 20), Patent Owner offers no evidence to support its contentions regarding how one skilled in the art would understand “said use rules” in claim 11 (*see* PO Resp. 28–30). Patent Owner also fails to even allege that anything in the specification supports its position that one skilled in the art would understand “said use rules” in claim 11 to mean “said use rules data.” Petitioner, on the other hand, provides testimony from Mr. Wechselberger explaining how one skilled in the art would understand the term “said use rules.” *See* Pet. 78 (citing Ex. 1220 ¶¶ 74–75). Mr. Wechselberger testifies, for example, that when reading claim 11, which recites “permit partial use,” one skilled in the art would “question whether the claim was intended to recite a new concept ‘use rules,’ which would be more in keeping with the ‘permit’ language.” Ex. 1220 ¶ 74. As Petitioner notes, Patent Owner fails to address this testimony. Pet. Reply 20.

Upon review of the record before us, we are persuaded that claim 11 is amenable to two plausible claim interpretations, and we determine that the phrase “said use rules” does not inform those skilled in the art about the scope of the invention with reasonable certainty and, therefore, is indefinite under 35 U.S.C § 112 ¶ 2. *Ex Parte Miyazaki*, 89 USPQ2d 1207, 1211 (BPAI 2008) (precedential) (holding “that if a claim is amenable to two or more plausible claim constructions, the USPTO is justified in requiring the applicant to more precisely define the metes and bounds of the claimed invention by holding the claim unpatentable under 35 U.S.C. § 112, second paragraph, as indefinite”); *see also Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120, 2129 (2014) (holding that § 112 ¶ 2 requires “that a patent’s claims, viewed in light of the specification and prosecution history, inform

those skilled in the art about the scope of the invention with reasonable certainty.”).

*D. Patent Owner’s Motion to Exclude*

Patent Owner filed a Motion to Exclude (Paper 39, “Motion”), Petitioner filed an Opposition to Patent Owner’s Motion (Paper 43, “Opp.”), and Patent Owner filed a Reply in support of its Motion (Paper 48). Patent Owner’s Motion to Exclude seeks to exclude Exhibits 1202, 1203, 1205–1209, 1211–1220, 1226, and 1227. Mot. 1. As movant, Patent Owner has the burden of proof to establish that it is entitled to the requested relief. *See* 37 C.F.R. § 42.20(c). For the reasons stated below, Patent Owner’s Motion to Exclude is *granted-in-part* and *denied-in-part*.

*Exhibit 1202*

Patent Owner seeks to exclude Exhibit 1202—the First Amended Complaint filed by it in the co-pending litigation—as inadmissible other evidence of the content of a writing (FRE 1004), irrelevant (FRE 401), and cumulative (FRE 403). Mot. 1–3; Paper 48, 1–2. Specifically, Patent Owner argues that Petitioner does not need to cite Patent Owner’s characterization of the ’458 patent in the complaint because the ’458 patent itself is in evidence. Mot. 1–2. Moreover, according to Patent Owner, its characterization of the ’458 patent is irrelevant and, even if relevant, cumulative to the ’458 patent itself. *Id.* at 2–3.

Petitioner counters that it relies on Exhibit 1202 not as evidence of the content of the ’458 patent, but to show that Patent Owner’s characterization of the ’458 patent supports Petitioner’s contention that the ’458 patent is a covered business method patent. Opp. 2. Thus, according to Petitioner, it is highly relevant to the issue of whether the ’458 patent is a covered business

method patent. *Id.* Moreover, contends Petitioner, Patent Owner's characterization of the '458 patent in another proceeding is not in the '458 patent itself, and, therefore, Exhibit 1202 is not cumulative to the '458 patent and FRE 1004 is not applicable. *Id.*

We are persuaded by Petitioner that Exhibit 1202 is offered not for the truth of the matter asserted (i.e., the content of the '458 patent), but as evidence of how Patent Owner has characterized the '458 patent. Thus, Patent Owner has not persuaded us that Exhibit 1202 is evidence of the content of a writing or that it is cumulative to the '458 patent. Furthermore, Patent Owner has not persuaded us that Exhibit 1202 is irrelevant, at least because its characterization of the '458 patent in prior proceedings is relevant to the credibility of its characterization of the '458 patent in this proceeding. Patent Owner contends that Exhibit 1202 does not contradict its characterization of the '458 patent in this proceeding such that the credibility of Patent Owner's characterization is an issue. Mot. 3. Patent Owner's argument misses the point because the credibility of Patent Owner's characterization is for the Board to weigh after deciding the threshold issue of admissibility. As Petitioner notes (Opp. 2), Patent Owner's characterization of the '458 patent in prior proceedings is relevant to Patent Owner's contention in this proceeding that the '458 patent does not satisfy the "financial in nature" requirement for a covered business method patent review (Prelim. Resp. 5–10).

Accordingly, we decline to exclude Exhibit 1202.

*Exhibit 1208*

Patent Owner seeks to exclude Exhibit 1208 as irrelevant under FRE 401 and 402 because it is not cited in the Petition or the Wechselberger

Declaration, and our Decision to Institute did not base any of its analysis on that exhibit. Mot. 3–4.

Petitioner does not oppose excluding Exhibit 1208. Opp. 3 n.1.

Petitioner asserts no basis for Exhibit 1208 to remain in this proceeding. Moreover, as Petitioner notes, it does not rely on Exhibit 1208, and neither our Decision on Institution nor this Final Written Decision rely on that exhibit. Accordingly, we determine that it is appropriate to exclude Exhibit 1208.

*Exhibits 1203, 1205–1207, 1209, 1211–1219, 1226, and 1227*

Patent Owner seeks to exclude Exhibits 1206, 1207, 1209, 1211, 1212, 1216, 1217, 1219, 1226, and 1227 as irrelevant under FRE 401 and 402 because they are not alleged to be invalidating prior art, and our Decision to Institute did not base any of its analysis on them. Mot. 5–6; Paper 48, 2. Patent Owner additionally seeks to exclude Exhibits 1203, 1205, 1213, 1214, 1215, and 1218 as irrelevant under FRE 401 and 402 because those references are not the basis for any invalidity grounds for which covered business method reviewed was instituted. Mot. 6–8; Paper 48, 2.

Petitioner counters that all of these exhibits are relevant to our § 101 analysis because they establish the state of the art and show whether the challenged claims contain an inventive concept. Opp. 2–3. Petitioner further contends that the Petition and Wechselberger Declaration rely on these prior art exhibits to show, for example, the elements disclosed by the challenged claim were well known, routine, and conventional. *Id.* at 4.

For the reasons stated by Petitioner, Patent Owner has not persuaded us that these exhibits are irrelevant under FRE 401 and 402. Specifically,

these exhibits are relevant to the state of the art—whether the technical limitations of the challenged claim were well-known, routine, and conventional—and thus, to our § 101 analysis. Moreover, with respect to Exhibits 1206, 1207, 1209, 1211, 1212, 1216, 1217, 1219, and 1227, Mr. Wechselberger attests that he reviewed these exhibits in reaching the opinions he expressed in this case (*see, e.g.*, Ex. 2020 ¶¶ 28–49, 76–105) and Exhibit 1226 is cited in the Petition’s discussion of the § 101 challenge (*see* Pet. 32).

Accordingly, we decline to exclude Exhibits 1203, 1205–1207, 1209, 1211–1219, 1226, and 1227.

*Exhibit 1220*

Patent Owner seeks to exclude Exhibit 1220, the Wechselberger Declaration, on grounds that it lacks foundation and is unreliable because it fails to meet the foundation and reliability requirements of 37 C.F.R. § 42.65(a) and FRE 702. Mot. 8; Paper 48, 2. Specifically, Patent Owner contends that the declaration does not disclose the underlying facts or data on which the opinions contained are based, as required by 37 C.F.R. § 42.65(a), because it does not state the relative evidentiary weight (e.g., substantial evidence versus preponderance of the evidence) used by Mr. Wechselberger in arriving at his conclusions. Mot. 9. Thus, Patent Owner concludes that we cannot assess, under FRE 702, whether Mr. Weschelberger’s testimony is “based on sufficient facts or data,” is “the product of reliable principles and methods,” or “reliably applie[s] the principles and methods to the facts of the case.” Mot. 8–10; Paper 48, 2.

Petitioner notes that an expert is not required to recite the preponderance of the evidence standard expressly in order for the expert

opinion to be accorded weight. Opp. 5 (citation omitted). Petitioner further states that Mr. Wechselberger cites specific evidence supporting each of his opinions. *Id.*

Patent Owner has not articulated a persuasive reason for excluding Mr. Wechselberger's declaration. Patent Owner has not cited any authority requiring an expert to recite or apply the "preponderance of the evidence" standard in order for the expert opinion to be accorded weight. Under 37 C.F.R. § 42.1(d), we apply the preponderance of the evidence standard in determining whether Petitioner has established unpatentability. In doing so, it is within our discretion to determine the appropriate weight to be accorded to the evidence presented, including the weight accorded to expert opinion, based on the disclosure of the underlying facts or data upon which the opinion is based. Our discretion includes determining whether the expert testimony is the product of reliable principles and methods and whether the expert has reliably applied the principles and methods to the facts of the case. *See* FRE 702.

Patent Owner further requests that, to the extent that we do not exclude Exhibit 1220 in its entirety, we exclude paragraphs 28–71 from the declaration. Mot. 11. Specifically, Patent Owner states:

Paragraphs 28–71 (and any other portion of the Wechselberger Declaration that is directed to patentability under 35 U.S.C. § 103) are not relevant to the instituted proceeding because the trial as instituted is limited to patentability under 35 U.S.C. § 101 and § 112 ¶2. FRE 401. Being irrelevant evidence, those paragraphs are not admissible. FRE 402.

Mot. 11.

Because this review is under § 101, analyses of the state of the prior art, which includes analyses of the level of skill of a skilled artisan and the

scope of the challenged claim, is relevant to the second prong of the *Alice* and *Mayo* inquiry. Therefore, we decline to exclude these paragraphs.

Patent Owner further requests that we exclude paragraphs 24–26 and 72–75 because these paragraphs are “unreliable and lacking foundation” because “[t]hese paragraphs deal with the issue of indefiniteness and the Wechselberger Declaration does not prove that Mr. Wechselberger is an expert whose testimony is relevant to the issue.” *Id.* at 12. Paragraphs 24–26 are directed to the definition of one of ordinary skill in the art, rather than any particular testimony regarding indefiniteness under § 112, and Patent Owner makes no arguments regarding this definition. Paragraphs 72–75 address how one of ordinary skill in the art would understand the claim language. Patent Owner does not appear to take issue with Mr. Wechselberger testifying as one of ordinary skill in the art. *See* Mot. 12. Because this testimony is related to how one skilled in the art would understand certain claim limitations, and Mr. Wechselberger qualifies as one skilled in the art, we are not persuaded that we should exclude this testimony.

Patent Owner also requests that we exclude paragraphs 76–105 of Exhibit 1220 because these paragraphs “deal with the strictly legal issue of statutory subject matter for which Mr. Wechselberger is not an expert” and should be excluded under FRE 401, 402, 602, 701, and 702. *Id.* at 12. Because these paragraphs also relate to the underlying factual issues related to patent eligibility, we are not persuaded that they are irrelevant under FRE 401 and 402. Accordingly, we decline to exclude these paragraphs.

ORDER

Accordingly, it is:

ORDERED that Patent Owner's motion to terminate this proceeding with respect to claim 1 is *granted*;

FURTHER ORDERED that CBM2015-00016 is terminated with respect to claim 1;

FURTHER ORDERED that claims 6, 8, 10, and 11 of the '458 patent are determined to be *unpatentable*;

FURTHER ORDERED that Patent Owner's motion to exclude is *granted-in-part* and *denied-in-part*;

FURTHER ORDERED that Exhibit 1208 shall be expunged; and

FURTHER ORDERED that, because this is a final written decision, parties to the proceeding seeking judicial review of the decision must comply with the notice and service requirements of 37 C.F.R. § 90.2.

CBM2015-00016  
Patent 8,033,458 B2

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